



# **SIMPLIFIED RFG-7**

## **FILING GUIDELINES**

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## TABLE OF CONTENTS

Introduction		4
A. General Information		5
	1. Risk Classification Systems, Legislation and Regulations	5
	2. Filing Guidelines	6
	3. Naming Conventions	7
	4. Submitting a Filing (or Amendments) to the Board	8
	5. Review Process	8
B. Definitions		9
C. Rate Filing Guidelines RFG-7 SIMPLIFIED		13
	6. Filing Format	13
	7. Cover Letter	13
	8. Section 1 Table of Contents	14
	9. Section 2 NBIB Summary Sheets	14
	10. Section 3 Appendix A Letter of Authorization	15
	11. Section 5 Final rates/Rate Level Change	15
	12. Section 7 Rating Examples (Profiles)	15
Confidential Information		16

## Filing Guidelines RFG -7 Simplified

IT IS THE INSURER'S RESPONSIBILITY TO ENSURE THE USE OF THE MOST CURRENT VERSION OF THE FILING GUIDELINES.

FAILURE TO COMPLY WITH THESE GUIDELINES MAY RESULT IN RETURN OF FILING WITH REQUEST TO AMEND AND RE-SUBMIT. THE NBIB HOWEVER RESERVES THE RIGHT TO WAIVE AN IRREGULARITY OR NON-COMPLIANCE WITH THESE GUIDELINES WHERE THE IRREGULARITY OR NON-COMPLIANCE IS JUSTIFIED OR DEEMED MINOR OR INCONSEQUENTIAL BY THE BOARD. THE BOARD, SHALL AT ITS SOLE DISCRETION, DETERMINE WHAT CONSTITUTES A MINOR IRREGULARITY OR NON-COMPLIANCE.

IRREGULARITY, NON-COMPLIANCE OR OMISSION OF ANY OF THE FILING OR DISCLOSURE GUIDELINES MAY RESULT IN A DELAY OF THE REVIEW PROCESS.

***NOTE: The Filing Guidelines shall be liberally construed to secure the most just and fair process.***

*When referring to the New Brunswick Insurance Board, "NBIB" and "the Board" are interchangeable.*

## A. GENERAL INFORMATION

### 1. Risk Classification System, Legislation and Regulations

- a. The Board's regulatory role includes the obligation to confirm compliance with the *Insurance Act* and to ensure that rates are just and reasonable.
- b. Section 267 of the *Insurance Act* requires insurers to file with the Board the rates it proposes to charge for automobile insurance at least once every 12 months. ***As part of a Pilot Project initiated by the Board, the NBIB suspends the September 15<sup>th</sup> filing date for Private Passenger Class Vehicles. The NBIB now requires each insurer to file its proposed rate change before 12 months period has elapsed since its last filing.***
- c. Furthermore, section 267.51(1) states that an insurer shall appear before the Board where the insurer
  - i. Files rates more than twice in a period of 12 months, or
  - ii. Files rates where the average rate increase is more than 3%<sup>1</sup> greater than the rates charged by it in the 12 months before the date on which it proposes to begin to charge the rates.
- d. As per Regulation 2004-139
  - i. *5(1) No insurer shall establish an automobile insurance rating classification to distinguish between insured persons on the basis of age, gender or marital status.*
- e. In addition, Regulation 2003-15 outlines the prohibited underwriting practices for all categories of automobile insurance in New Brunswick:
  4. *An insurer may not decline to issue, refuse to renew or terminate a contract of automobile insurance or refuse to provide or continue any coverage or endorsement, under any circumstance, on any of the following grounds:*
    - (a) *the age, gender or marital status of the applicant or another person who would be an insured person under the contract;*
    - (b) *the age of the vehicle that would be insured by the contract, unless the vehicle:*
      - (i) *is an antique vehicle,*
      - (ii) *is a reconstructed vehicle, or*
      - (iii) *has been substantially modified for enhanced performance;*
    - (c) *whether the applicant or another person who would be an insured person under the contract is or has been insured by the Facility Association;*

<sup>1</sup> Filings within a 12 month period where the combined average premium is greater than 3%, will result in a hearing.

- (d) *whether the applicant or another person who would be an insured person under the contract was declined insurance or refused a renewal of insurance by an insurer;*
  - (e) *whether the applicant or another person who would be an insured person under the contract has claimed in the past under a policy of automobile insurance, as a result of an accident for which the applicant or that person was not at fault;*
  - (f) *whether the applicant or another person who would be an insured person under the contract failed to make one payment to an insurer, other than the first payment of a periodic payment plan, if the missed payment was made within 30 days of the date on which it was originally due;*
  - (g) *whether the applicant or another person who would be an insured person under the contract has a lapse in coverage under a contract of automobile insurance for a period of less than 24 months, unless the lapse resulted, directly or indirectly, from*
    - (i) *the termination of a policy of automobile insurance as a result of a failure to pay premiums due under the contract, or*
    - (ii) *the suspension of the person's driver's licence for an offence related to the use or operation of an automobile.*
5. *No insurer may terminate a contract of automobile insurance or refuse to provide or continue any coverage or endorsement in respect of a contract of automobile insurance where*
- (a) *an insured ceases to be a member of a group, or*
  - (b) *the insurer terminates a group marketing plan.*

## 2. Filing Guidelines

- a. The purpose of these Guidelines is to communicate to insurers the requirements for Simplified (RFG-7) insurance rate filings and to provide a systematic approach through which insurers may provide that information and thus facilitate the process of preparing as well as reviewing these filings.
- b. Simplified filings do not require actuarial analysis and may be filed in the following circumstances:
  - i. annual commercial and miscellaneous filings that meet the criteria as outlined in [Info Bulletin 2017-003](#).
- c. The Board may waive the obligation for an actuarial analysis of premium requirements in circumstances that the Board deems appropriate. The most common circumstance would be where there is no credible experience.
- d. The following table summarizes the type and purpose of filings.

Type of Filing	Purpose of Filing
<b>RFG - 1 Major Rate Filing</b>	Rate filing requiring actuarial analysis support (including Facility Association, and IAO Actuarial Consulting Services Inc.) for any type of vehicles.
<b>RFG - 2 IAO Rate Filing</b>	Rate filing for companies adopting the most recent approved IAO rates.
<b>RFG - 3 Rate Group Update Filing</b>	Non – rate filing for updating/implementing new/approved vehicle rate group tables
<b>RFG - 4 Rating Rule Filing</b>	Non – rate filing to amend, delete, or make additions to rating rules
<b>RFG - 5 Endorsement Filing</b>	Non – rate filing to amend, delete, or make additions to endorsements.
<b>RFG - 6 Underwriting Rule Filing</b>	Non – rate filing to amend, delete, or make additions underwriting rule.
<b>RFG - 7 Simplified Rate Filing</b>	Rate filing proposing to continue with current rates. Acceptable only for miscellaneous vehicle classes. Refer to <a href="#">Information Bulletin 2017-003</a> .
<b>RFG - 8 Minor Rate Filing</b>	Rate filing to be used for insurers where full actuarial justification is not required due to the nature of the class of vehicle or where the level of written premium is below a certain threshold. Refer to <a href="#">Information Bulletin 2017-003</a> .

**No changes may be included within an RFG-7 Filing.**

### 3. Naming Convention

- a. See NBIB Summary Sheet “Start Here Cover Sheet” Row 2 for Naming Convention of Company Short Name and Type of Vehicle Short Name
- b. Email Subject Line: Date Submitted “YYYY\_MM\_DD” “Company Short Name” “Type of Vehicle Short Name” “RFG-#” “Original/Amendment/Response”
- c. Documents: “Company Short Name “\_”Type of Vehicle Short Name”\_”RFG-#”\_”Document Name”

## 4. Submitting a filing to the Board

### a. Original Filing

- i. Filings must be submitted electronically by email to [filings@nbib-canb.org](mailto:filings@nbib-canb.org) . Should access to documentation be password protected, please communicate the password to the Board in a separate email to the email address above.
- ii. Separate filings must be submitted for each vehicle class i.e., PPV, Commercial (acceptable to combine Interurban with Commercial Vehicles), Motorcycles (including mopeds), ATV, SV, etc.
- iii. If an insurer is submitting filings for more than one company, separate emails must be sent for each company and each filing.

### b. Amendments:

- i. Submit amendments via email only, unless otherwise directed by the Board.
- ii. **Subject line format is** *“(Date Amended) YYYY\_MM\_DD” “Company Short Name” “Type of Vehicle Short Name” “RFG-#” “Amendment”*. Example: **2015\_09\_30 Company PPV RFG-1 AMENDMENT**
- iii. **For Effective Dates Amendments**, submit via email and include all corresponding filing documents with the new effective dates
- iv. **For Summary Sheet Amendments**, provide details of the amendment(s) and if applicable the cell(s) in the spreadsheet that are affected.

## 5. Review Process

- a. The NBIB will send an email to the insurer within two (2) business days to acknowledge receipt of a filing.
- b. Once a filing is deemed complete, the NBIB and/or its consulting actuaries will proceed to review the technical components of the filing. The NBIB or its consulting actuaries may request further information from the insurer.
- c. Queries from the Board or its consulting actuaries must be responded to **within four business days**.
- d. For additional information on the procedure and hearing process, please refer to the [Hearing Procedure Guidelines](#).



**B. DEFINITIONS**

<b>Affiliated Insurers</b>	Two or more insurers are considered to be affiliated if any of the following criteria are met: (i) one of the insurers is a subsidiary of another insurer; (ii) both are subsidiaries of the same body corporate; each of the insurers is controlled by the same person.
<b>Allocated Loss Adjustment Expenses(ALAE)</b>	All external expenses that can be directly charged to a particular claim file, whether a loss payment is made or not, including: (i) adjuster's accounts (including all disbursements) - excluding staff adjusters; (ii) appraisal costs (including appraisal center costs) - excluding staff appraisal costs or costs included under (i); (iii) legal expenses including all first party legal costs charged to a particular claim file - excluding staff legal fees or costs or fees included under (i); (iv) all other external claims expenses.
<b>Average Rate</b>	<b>For a Coverage:</b> The average rate for the coverage expressed in premium dollars per insured vehicle for a 12-month policy term. <b>For Multiple Coverage:</b> (i) For each coverage in question, multiply the average rate for the coverage by the fraction A/B, in which: A = the total number of vehicles insured by the Insurer that had that coverage in the most recently completed calendar year; and B = the total number of vehicles insured by the Insurer in the most recently completed calendar year; (ii) Add the amounts determined under (i) for each coverage.
<b>Base Rate</b>	The rate that serves as the starting point for developing all other rates by territory, limit of liability, deductible, and all other factors.
<b>Capping</b>	Limiting the impact on premium of revisions to the rating program on a per vehicle basis.
<b>Category of Automobile Insurance</b>	For purposes of these Filing Guidelines, categories of automobile insurance include the following: personal vehicles - private passenger automobiles personal vehicles - motorcycles personal vehicles - motor homes personal vehicles - trailer and camper units personal vehicles - off-road vehicles

	<p>personal vehicles - motorized snow vehicles  personal vehicles - antique/classic and commercial vehicles  personal vehicles - interurban vehicles  public vehicles - taxis and limousines  public vehicles - other than taxis and limousines</p> <p>The above category titles should be used when possible. If subdivisions of the above categories are made, the insurer should indicate within which of the above categories the subdivisions fall.</p>
<b>Coverage</b>	<p>For the purposes of these Filing Guidelines, Coverage includes the following:</p> <p>Third Party Liability - Bodily Injury  Third Party Liability - Property Damage  Direct Compensation - Property Damage  Accident Benefits  Uninsured Automobile  Underinsured Motorist (SEF44)  All Perils  Collision  Comprehensive  Specified Perils</p>
<b>Endorsement</b>	<p>An endorsement (policy change form), approved by the Superintendent, to a contract of automobile insurance. Standard endorsements are issued under a series of SEF numbers. Non-standard or conditional endorsements, which must also be approved by the Superintendent, are uniquely identified for each insurer. For purposes of these Filing Guidelines, Underinsured Motorist - SEF 44 is treated as coverage, rather than as an endorsement.</p>
<b>Fleet</b>	<p>A group of not less than five automobiles, that are under common ownership or management, of which at least five are commercial vehicles, public vehicles or vehicles used for business purposes, including any vehicles leased to the same insured person for a period in excess of 30 days.</p>
<b>Investment Income</b>	<p>All income attributable to the investment of policyholder supplied funds and shareholder supplied funds and surplus, <b>including</b> realized capital gains (and losses), net of investment expenses.</p>
<b>Investment Return on Cash Flow</b>	<p>The rate of return associated with the portion of investment income earned from the investment of insurance cash flows or the investment of policyholder-supplied funds.</p>

<b>Profit Provision</b>	The percentage of the premium targeted to provide for a reasonable profit level.
<b>Prior Approval</b>	Insurers must have their rates and rating programs approved before use in accordance with legislation. The prior approval system applies to: insurance written by the Facility Association; coverage as defined above for private passenger automobiles and other risks written on SPFs 1 and 4.
<b>Rate</b>	All amounts payable as premium under contracts of automobile insurance, or endorsements to such contracts, for an identified risk exposure. Rates may be expressed in terms of dollars and/or in terms of multiplicative or additive factors to be applied to a base premium amount. Rates are to include all provisions reflecting surcharges/discounts for applicable risk exposures. Rates are to be inclusive of commissions and other expense provisions used by the insurer, and are to be considered prior to the granting of policyholder dividends. Rates are subject to the provisions of legislation.
<b>Rate Differentials/Relativities</b>	Multiplicative or additive factors/rates that are applied to the base rate to arrive at the rates for individual risk profiles.
<b>Rating Algorithm</b>	The manner in which base rates, rate differentials, and other surcharges/discounts are combined to arrive at the premium charged to an individual risk profile.
<b>Rating Rule</b>	A rule by which a risk is assigned to a specific rating cell or by which a discount or surcharge is applied. Examples include rules by which territory, driver classification and vehicle rating group are assigned. Rating rules differ from underwriting rules that involve the decision to accept or decline a risk (for other than private passenger).
<b>Territorial Base Rate</b>	The rate that serves as the starting point for each territory for developing all other rates by class, limit of liability, deductible, etc. It is the rate in the territory for that particular combination of class, limit of liability, deductible, etc. for which the multiplicative factors are all 1.00 and the additive factors are all zero.
<b>Unallocated Loss Adjustment Expenses</b>	All claims settlement and processing costs, excluding ALAE, but including staff adjusters, appraisers, lawyers, clerical support, and a portion of general expenses reasonably attributable to the claims function.
<b>Underwriting Profit</b>	Direct premiums earned less undiscounted claims and adjustment expenses, plus investment income earned on cash flow, less commissions and other acquisition expenses, less taxes

	(excluding income and real estate taxes), less general expenses (applicable to insurance operations) divided by direct premiums earned.
<b>Proposed Underwriting Profit Provision</b>	The provision for underwriting profit in the proposed rate, expressed as a percentage of the rate.
<b>Target Underwriting Profit Provision</b>	The provision for underwriting profit in the actuarially indicated rate, expressed as a percentage of the rate.
<b>Underwriting Rules</b>	Those rules that govern the decision by an insurer to accept or decline a risk, coverage or endorsement.

## **C. RATE FILING RFG – 7 SIMPLIFIED**

### **FILING DOCUMENTS REQUIRED FOR RATE FILING – RFG-7**

#### **6. Filing Format**

- a. Subject to the guidelines set forth in this section (Section C), the filing should contain the informational sections, as outlined below, and in the order outlined below:

Section	Contents/Document	Format	Document Name
	Cover Letter	Word, PDF	Cover Letter
1	Table of Contents	Word, PDF	
2	NBIB Summary Sheets	Excel	Filing Summary
3	Appendix A	Word, PDF	Appendix
4	Not required		
5	Final Rates/Rate Level Change	Excel	Algorithm BR Current
6	Not Required	Word, PDF	Pr Manual
7	<i>Currently Not Used</i>		
8	Not required		

#### **7. Cover Letter**

- a. Provide details on the filing being submitted. The filing cover letter must set out the name, title, insurer name, business address, telephone number and email address of the individual authorized to act as contact on behalf of the Insurer. The named contact person must be prepared to respond to questions posed by the NBIB or its consulting actuary and accept correspondence from either on behalf of the insurer relating to this filing.

## 8. SECTION 1: TABLE OF CONTENTS

- a. This section contains a listing of the contents of Sections 2 through 5 of the filing and should be in sufficient detail to serve as a reference, by page number, for the location of specific elements of the filing.

## 9. SECTION 2: NBIB SUMMARY SHEETS

- a. **NBIB Summary Sheet Template (Excel Format ONLY)** – Available on the NBIB website for download.<sup>2</sup> The NBIB Summary Sheet is one Excel document with multiple worksheet tabs. It must be completed and submitted as part of the filing package with the correct naming convention: *“Company Short Name” “Type of Vehicle Short Name” “RFG-#” Original Filing Summary*. Example: ***Company PPV RFG-1 Original Filing Summary***.
- b. If **necessary**, the amendments should be submitted with the naming convention: *“Company Short Name” “Type of Vehicle Short Name” “RFG-#” Amended Filing Summary*. Example: ***Company PPV RFG-1 Amendment Filing Summary***.
- c. The *worksheet* tabs are as follows:
  - i. **Technical Notes** - Technical notes to aid the insurer in the filing
  - ii. **Stat Territory Map** - Mapping of the 11 statistical territories in New Brunswick
  - iii. **Start Here NBIB Cover Sheet** – Start on Row 4. Row 2 Documents the correct Naming Convention. Considered Non-Confidential.

Dislocation and Rate Capping - Capping of rates is a tool that insurers employ to limit dislocation of premium and, thereby, improve retention where revisions to rating programs create substantial changes in the distribution of premium among risk profiles. The principal causes of such dislocation are revision of relativities for existing rating variables or introduction of a new algorithm with new rating variables, though it could relate to acquisition of a portfolio.

Insurers have the option to apply capping to premium and can use capping so as to preserve overall premium level provided.

- iv. **Step 2 NBIB Confidential** - The information on this sheet is considered confidential and NOT available to be viewed by the public.
- v. **Map of Rating Territories** – The map is considered confidential. If varying from the 11 statistical territories, insurers MUST include a copy of the proposed or existing rating territories

<sup>2</sup> <http://www.nbib-canb.org/en/filingPackage.php>

- vi. **Wording Change Doc** – Complete ONLY when there is a proposed change to underwriting rules, rating rules, and/or discounts and surcharges.
- vii. **IAO Comparison** – insurers input the proposed rates and differentials which compares to the most recent approved IAO rates for this class. Please comment on any discrepancies between the rates.
- viii. **FA Comparison** – Complete ONLY by Non-Standard Private Passenger Vehicle market writers. Compares the most recent approved Facility Association rates to the company’s proposed rates.

## 10. SECTION 3: APPENDIX A

### *Letter of Authorization*

- a. **Signed Letter of Authorization** - A letter signed by an officer of the company on whose behalf the filing is being made, granting the individual identified the authority to submit the filing. Authorized officers are the President, CEO, CFO, CCO, any vice-president, the treasurer, or the corporate secretary or Chief Agent for Canada for the company.

## 11. SECTION 5: FINAL RATES/RATE LEVEL CHANGE

- a. Exhibits illustrating current rating algorithms, base rates, discounts/surcharges, and differentials.

### **5.a. Algorithm**

Exhibits illustrating current algorithms for all coverage, including discounts and surcharges and 6-month policy adjustment factor (if applicable) must be disclosed in this section.

### **5.b. Base Rates**

Exhibits illustrating current base rates must be disclosed in this section.

### **5.c. Differentials**

Exhibits illustrating current differentials must be disclosed in this section.

## 12. SECTION 7: RATING EXAMPLES (Profiles) ONLY UPON REQUEST

- a. Each insurer must file with the NBIB, when requested, those rating examples that would be affected by the filing. Also, the NBIB may require additional and/or different rating examples

as a consequence of the review process. The rating examples must be provided in Excel format.

- b. The rating examples must be completed according to the risk description specified. Each insurer must provide both current and proposed rating criteria for each of the rating examples as required.
- c. Any additional information pertaining to the rating example must be disclosed with a detailed description for each affected rating example.
- d. Specific instructions and key assumptions that should be adopted when completing these rating examples are:
  - i. All rates are to be stated on an annual basis. If annual policies are not issued, the rates should be converted to an annual basis.
  - ii. All risks should be rated strictly according to the information provided. DO NOT provide preferred rates unless the criteria as stated fit the eligibility rules for a preferred class. If so, provide only the preferred rates, and state so.
  - iii. Clearly identify all applicable surcharges/discounts that apply to each coverage.

#### CONFIDENTIAL INFORMATION

Pursuant to the *Decision of the Board on the matter of Confidentiality* dated September 24, 2007, the following information provided to the Board in the Rate Application shall remain confidential:

- **Summary of the Current and Proposed Base premiums and differentials;**
- **Territorial Change Exhibit;**
- **Actuarial Justification; and**
- **Summary of Information.**